



Statutory References

The primary statutory references defining duties and responsibilities of the department and other key functions or funding requirements are found at the following locations.

Article X, all sections – Education and Public Lands
 Title 20, All Chapters - Education
 Title 15, chapters 1-24, Property Tax
 Title 15, Chapter 36 – Oil and Gas Production Tax Act



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The Legislative Fiscal Division

Presents:

Profile of...

Office of Public Instruction

State of Montana



Agency Profile

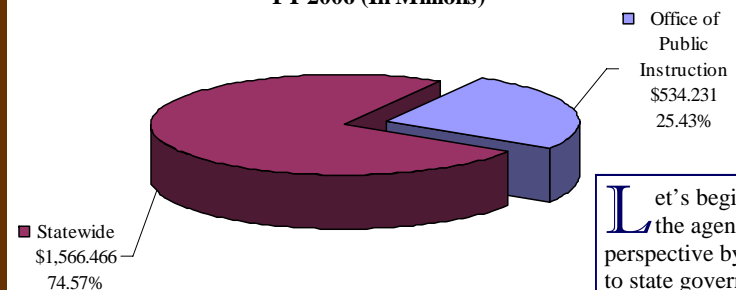
This agency profile will discuss...

- structure and funding
- primary functions and
- historical expenditures

The profile also includes information on how decisionmakers can effect change in the agency's expenditures along with a listing of pertinent statistics. For an explanation of terms used in this profile, consult the "Background on the Agency Profiles" at: <http://leg.mt.gov/css/fiscal/default.asp>

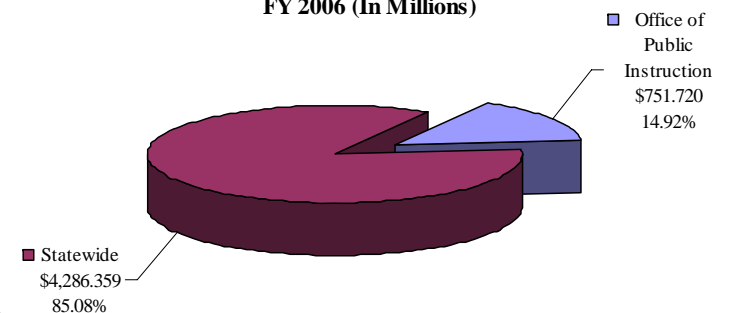
Sept. 2006

**General Fund Statewide Comparison
FY 2006 (In Millions)**



Let's begin by putting the agency's size in perspective by comparing it to state government as a whole.

**Total Funds Statewide Comparison
FY 2006 (In Millions)**



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Section E
Education



What the Agency Does

The Superintendent of Public Instruction, as provided for in Article VI of the Montana Constitution, heads the Office of Public Instruction and the duties of the superintendent and OPI are provided for in title 20, section 3.



How Services Are Provided

There are seven divisions in OPI. They are as follows:

Office of State Superintendent

The Office of the State Superintendent provides leadership for Montana's K-12 public education system that includes 855 public schools, 146,519 students, and 12,039 certified educators and management of OPI employees to achieve the Superintendent's statutory duties. The Office of Public Instruction's mission is to improve teaching and learning through communication, collaboration, advocacy, and accountability to those served. The Superintendent identifies and promotes key legislative initiatives targeted at achieving adequate school funding, quality educators, student achievement and supporting classroom instruction and testing. The Superintendent supports the Board of Public Education with resources, services, and research. Finally the Superintendent is a member of Land Board which oversees policy on State Lands.

| <i>State Purposes</i> | <i>Major Agency Functions</i> | <i>Customers</i> |
|--|---|--|
| <i>Support accountability and improvement in all Montana schools</i> | <ul style="list-style-type: none"> Review and approve district audit reports and corrective action plans each year Prepare and present a report to the Board of Public Education each year on the fiscal condition of Montana's school districts Work with assessment contractors and school personnel to ensure quality control in the administration of statewide student assessments Prepare and present a report to the Board of Public Education each year on the results of statewide student assessments | Students, parents teachers, administrators, school boards, Board of Public Education |



How The Legislature Can Effect Change

The legislature sets policy by defining a basic system of quality elementary and secondary schools and by providing for the distribution of money to fund schools. The legislature sets the overall amount of state money and its distribution to school districts. The legislature also may determine the level of access by school districts to local monies, either property taxes and/or other non-levy forms of revenue. The legislature may do this by legislating the distribution of revenues between all local governments and the state, and by setting maximum spending limits or setting maximum budget growth limits.

The legislature may also impact the quality and efficiency of the school system by funding the Office of Public Instruction at levels that reflect the legislature's definition of a basic system of quality elementary and secondary schools.

The legislature has appropriated federal money for distribution to schools and to OPI at levels that comport with federal educational goals and programs like No Child Left Behind, Special Education,, etc. In accepting federal money the legislature accepts these federal goals.

| <i>State Purposes</i> | <i>Major Agency Functions</i> | <i>Customers</i> |
|--|---|--|
| <i>Provide access to and management of information and data related to K-12 school improvement</i> | <ul style="list-style-type: none"> Update the No Child Left Behind (NCLB) Report Card for Montana and its schools and districts Assist Montana educators in the development of local education profiles Streamline and automate the reporting of non-fiscal data by school districts to the Office of Public Instruction through the Annual Data Collection Maintain an Internet site that contains updated information about school improvement, other educational activities and research Enhance electronic systems for Montana educators to report and retrieve information and data related to K-12 education Assist Montana educators and the public in the use of information and data to improve Montana schools Upgrade the electronic financial reporting system (MAEFAIRS) to use Internet-based technologies | Parents, educators, school boards, Board of Public Education |
| <i>Deliver quality instruction through professional development</i> | <ul style="list-style-type: none"> Collaborate with educators and other interested parties to develop job-embedded, research-based, and sustained professional development Deliver professional development through on-site visits, workshops, conferences, publications and distance learning opportunities | Teachers, administrators, school boards |
| <i>Support accountability and improvement in all Montana schools</i> | <ul style="list-style-type: none"> Monitor and enforce compliance with state and federal program, fiscal, and reporting requirements Assist Montana educators to comply with state and federal program, fiscal, and reporting requirements Provide assistance concerning research-based practices to improve teaching and learning. Review and update Montana's accreditation process Monitor, enforce, and report compliance with state and federal regulations that govern a district's use of its financial resources | Students, parents teachers, administrators, school boards, Board of Public Education |



Accreditation Division

The Accreditation Division assists, reviews, and monitors 855 K-12 schools and eight teacher education programs at Montana's postsecondary institutions for compliance with Board of Public Education accreditation standards and other rules. The division assists schools, districts, and teacher education programs to align standards, curriculum, instruction, assessment, and professional development. This division's functions include:

- Implements accreditation standards adopted and required by the Board of Public Education;
- Processes and evaluates the annual accreditation status of all 859 Montana schools;
- Operates the OPI's electronic Annual Data Collection system to review and recommend accreditation status for all schools;
- Reports annually on the accreditation status of all schools to the Board of Public Education, the public, and the news media;
- Reviews and approves improvement plans for schools not meeting state accreditation standards (in 2003-04, 151 schools or 17%);
- Conducts on-site middle school reviews to determine accreditation recommendations to the Board of Public Education;
- Provides regional assistance in the development and monitoring the effectiveness of the Five-Year Comprehensive Education Plan required of all school districts by the Board of Public Education;
- Reviews and recommends the Professional Educator Preparation Program Standards for all educator learning programs at Montana colleges and universities; conducts on-site teacher education unit reviews to determine approval recommendations to the Board of Public Education;
- Implements, monitors and evaluates the Small Schools Adequate Yearly Progress process for 502 schools and districts; and
- Completes the Montana State Report Card on Quality of Teacher Preparation as required by the U.S. Department of Education ESEA Higher Education Act, Title II.



State Distribution to Schools Division

The OPI Distribution to Schools Division is responsible for distributing state funding to Montana's 441 school districts. The OPI operates the entire school financial distribution system with overhead costs of 1/10 of 1 percent, ensuring the maximum amount of state dollars reach the classroom. The division's functions include:

- Distributes over \$560 million (40% of the Montana State Budget) of monthly state aid payments to Montana's 441 school districts under eight separate entitlement programs;
- Implements new state legislation affecting school district finances and state funding for schools to guarantee accountability for all state education dollars;
- Directs school district accounting and budgeting policies;
- Collects and compiles school fiscal data for use by public, federal, state, and local decision makers;
- Provides technical budgeting assistance and training for school districts, county officials and school district auditors;
- Monitors school district compliance with state and federal fiscal regulations;
- Serves as liaison to the U.S. Department of Education's Impact Aid Program;
- Operates the state computer system (MAEFAIRS) that collects and reports school district budget, financial, enrollment and payment information; and
- Reviews 250 school district audit reports each year and monitors recommended corrective actions.

Career and Technical Education Division

As career opportunities change, Montana's schools must also prepare students for real jobs in the real world. The Career and Technical Education (CTE) unit helps create an educated Montana workforce by supporting education programs in agriculture, business, family and consumer sciences, health occupations, industrial technology, and marketing. There are 166 Montana high schools (99%) that provide CTE programs. The division's functions include:



| State Purposes | Major Agency Functions | Customers |
|--|---|---|
| <i>Support schools so that all students can achieve high standards</i> | <ul style="list-style-type: none"> • Provide training to implement Board of Public Education content and performance standards • Provide training to assist districts and schools with the development of data-driven Comprehensive Education Plans • Provide targeted assistance and training for low performing and/or at-risk students and schools • License educators in compliance with the rules of the Board of Public Education • Provide assistance to Montana educators in the efficient and effective use of resources • Assist in the development of partnerships to extend and enhance the resources of school districts • Make timely and correct payments of state and federal aid to Montana's local education agencies • Assist school districts in completing their annual budgets, maintaining their accounting records and preparing their financial reports • Present accounting/budgeting workshops in seven regions across the state to an audience of school district officials, county officials and local government auditors • Update all budget and accounting forms, instructions and policy guidance at a minimum of once each year | Students, parents, teachers, administrators, school boards, Board of Public Education |
| <i>Assess and communicate the quality and achievements of K-12 education</i> | <ul style="list-style-type: none"> • Recommend an accreditation status to the Board of Public Education for each public or private school seeking accreditation • Develop and disseminate information about our K-12 public schools and students across a broad range of indicators of quality. • Provide leadership and assistance in the assessment of student achievement • Provide assistance and training to Montana educators to administer and analyze large-scale student assessment • Collect, analyze and report information concerning Montana students, educators and school districts • Administer recognition programs for Montana students, educators and school districts | Students, parents, legislature, school boards |

Reasons for Expenditure Growth/Change

Federal funds have increased more rapidly since the passage of the federal No Child Left Behind act in 2001, with major increases coming in FY2002 through FY 2004.

State special funds have increased dramatically but the growth has been offset by slower growth in general fund contributions. In FY 2003, the legislature, in response to threats of a suit, created the guarantee account in which would be deposited all distributable income and interest on the common school trust. The guarantee account is used to pay for direct state aid. When revenues from the common school trust increase, the amount of aid paid for by the general fund decreases.

The legislature has increased the basic and per-ANB entitlements every session since 1996. This has increased general fund dollars going to K-12 education, although the increase would have been higher than it was if the guarantee account had not been created. The increases in some years have been modest, often not fully counteracting enrollment declines in many districts. In some years (FY 2001 and FY 2007) the increases have been relatively large.

Another factor in the growth of general fund dollars to K-12 was the creation of HB 124 in the 2001 session. Before HB 124 vehicle money was distributed to the local district and was considered local money, HB 124 distributed this money to state general fund. In addition, property tax reimbursements to districts for property tax reduction legislation in 1999 were distributed to districts through the Department of Revenue and through OPI. HB 124 changed both these practices by combining the vehicle money and reimbursements into block grants which beginning in FY 2002 were distributed from the state general fund to districts through OPI, thus making these sources state money, not local money.

Agency Functions, State Purposes, & Customers Served

The Office of Public Instruction is structured to perform certain functions. The functions are in support of overarching policy objectives. The following lists the major functions, purpose of provision of the functions, and primary customers served. Please note that LFD staff has both identified general state overarching policy objectives and assigned functions. For an explanation of the overarching policy objectives and how they were derived, please refer to the "Background on the Agency Profiles" document.

- Assisting with curriculum development for CTE programs;
- Planning and providing professional development support for CTE teachers to ensure Montana's programs have current educational content;
- Communicating with schools concerning state and federal Career and Vocational/Technical Education funding;
- Monitoring federal Carl Perkins and state CTE programs and expenditures;
- Maintaining current CTE instructor databases for assistance with recruitment and retention of teachers;
- Developing and updating Standards and Guidelines for CTE; Creating partnerships for CTE programs with business and industry associations and the public; and Serving as State Advisor for CTE Student Organizations.

Legal Counsel Division

The OPI Legal Counsel provides legal advice and services to the State Superintendent and all divisions within the Office of Public Instruction. The Legal Unit consists of one attorney and two legal support staff and the Special Education Early Assistance Program (EAP) Director. The Legal Division also administers the Education Licensure Program. The division's legal functions include:

- Legal reviews of OPI documents, including publications and contracts;
- Ensures the OPI is in compliance with state statutes;
- Provides legal advice and background review regarding educator licensure;
- Handles all appeals from County Superintendent and County Transportation Committee decisions;
- Represents the State Superintendent in court proceedings;
- Assists with the adoption and amendment of administrative rules and for all state education laws;
- Handles Special Education formal complaints and requests for due process hearings;
- Provides technical assistance to parents, schools and advocacy organizations in the delivery of free, appropriate public education for students with disabilities;
- Amends and produces "School Laws of Montana" after each legislative session;

- Seeks to resolve education legal questions and disputes to avoid costly litigation; and
- Provides information on school law for parents, the public, teachers, school officials, and the news media.



Special Education Division

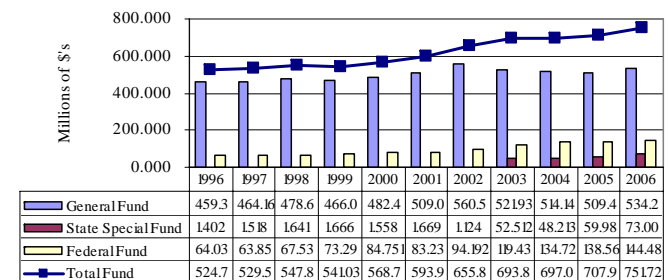
The Division of Special Education is responsible for ensuring all students with disabilities, ages 3 through 18, are provided a free, appropriate public education in accordance with the Individuals with Disabilities Education Act (IDEA) and state laws. Montana's Special Education programs have received national recognition for excellence. The division's functions that provide ongoing assistance to public schools in meeting the special education obligations include:

- Allocates nearly \$40 (FY 2007) million in state special education funds to districts and special education cooperatives for support of special education and related services to more than 19,000 Montana students with disabilities;
- Allocates nearly \$40 million in Federal IDEA funds for special education services;
- Monitors school programs through site visits and provides technical assistance to ensure special education and related services focus on improving education for students with disabilities in compliance with IDEA regulations;
- Initiates an ongoing informal dispute resolution process known as the Early Assistance Program (EAP) resulting in Montana having one of the lowest incidents of due process hearings in the United States;
- Dispenses more than \$500,000 Federal IDEA discretionary funds for special education teacher training;
- Provides assistance to parents and educators to meet the individual needs of each Montana student with disabilities; and
- Collaborates with other state agencies to address the needs of Montana's students with disabilities.



Expenditure History

Office of Public Instruction Funding History



Total fund expenditures for OPI derived from all sources of appropriations authority have increased by 43.3 percent from fiscal 1996 to fiscal 2006. From fiscal 1996, federal funds have increased 125 percent and the federal share of total funds has increased from 12 percent to 19 percent. State special funds have increased from 2.7 percent to 10 percent of total funds. General fund, which contributed roughly 87 percent of funding in fiscal 1996, has declined to 71 percent in fiscal 2006.

The expenditure growth of the department is at a lower rate than growth of personal income in the state. FY 2006 total fund expenditures of the department grew 156.2 percent from FY 1996. The growth of personal income grew 171.5 percent from FY 1996 to FY 2006.



Related Data & Statistics

| <i>Element</i> | <i>1996</i> | <i>2005</i> | <i>Significance of Data</i> |
|--|------------------|-----------------------|---|
| Average Number Belonging | 163,779 | 147,608 | Shows declining enrollment, likely to end by 2012 |
| Total Number of Teaching Staff | 10,079 | 10,224 | Shows number of teachers has risen and student teacher ratios have fallen |
| Total Number of Certified Non-Teaching Staff | 1,626 | 1,701 | Non teaching staff have grown 4.6 percent in 10 years |
| Average Teacher Salary | \$28,200(94) | 37,184 (04) | Montana's teacher salaries ranked 43 rd in 1994 and 45 th in 2004, but was the 21 st fastest growing state in average teacher salaries |
| Total Spending by School Districts | \$888.3 Million | \$1,205.9 Million | Total spending by school districts rose 36 percent in 10 years. |
| Total Spending per ANB | \$5,424 | \$8,169 | Spending per ANB rose 51 percent in 10 years |
| Rank: Spending per Student | 28 th | 26 th (04) | Montana's rank in spending per student has been stable |
| US Inflation | 154.5 | 191.7 | Inflation grew by 24 percent in 10 years |
| State Spending on School Districts | \$470.9 Million | \$570.2 Million | State spending on school districts grew by 21 percent in 10 years. |
| State Share of Total Spending by Districts | 53 Percent | 47.3 percent | The state share has fallen and federal funds and local taxes have increased |
| Federal Funds to School Districts | \$85.8 Million | \$177.1 Million | Federal funds have grown by 106 percent in 10 years. These include funds that go through OPI and direct to districts |
| Median District Mills Levied for Schools | 59.2 | 86.3 | Local districts mills have increased by 46 percent in 10 years |
| FTE in OPI | 135.2 | 148.7 | FTE in OPI have grown by 10 percent in 10 years |

Information Technology Division

The OPI Information Technology Division designs and operates the different electronic systems used by the OPI to conduct daily operations, communications, and the collection and reporting of all school district information. E-mail is now the main form of all written communication between the OPI and local school districts. The division's functions include:

- Operates the OPI Web site, which receives more than 2 million visits each year;
- Maintains electronic communication between the OPI, all of Montana's 855 schools, County Superintendents, Tribal Educators and the Board of Public Education;
- Installs, secures, and operates the OPI's 40 information technology systems;
- Creates and supports the software unique to the OPI that is used to administer programs, saving taxpayers millions of dollars;
- Runs the OPI "No Computer Left Behind" program which distributes surplus state government computers to schools;
- Operates the "Jobs for Teachers" Web site which notifies teachers and school administrators of job openings and provides for online teacher application for job positions;
- Operates a knowledge database for educators and the public to "Get Answers" to their questions concerning the OPI or educational issues;
- Partners with Fish, Wildlife and Parks to deliver video-on-demand;
- Runs the Governor's "Montana NewsLink" site, used by all state agencies to post press releases for distribution to the news media;
- Hosts the Legislature's Web site, providing up-to-date information and tracking of all legislative bills and public hearing information;
- Provides video-on-demand services to K-12 education and the public;
- Cooperatives with Legislative Services to provide video streaming of the House and Senate Chambers and committee hearings;
- Hosts the Board of Public Education's Web site;
- Provides desktop publishing services for the production of all of the OPI publications; and
 - Provides word processing and mail services for the OPI staff.

In addition to these divisions OPI has several programs it operates.

Education Licensure

The OPI Legal Counsel provides legal advice and services to the State Superintendent and all divisions within the Office of Public Instruction and administers the Education Licensure Program. The State Superintendent is responsible for issuing all teacher, administrator, and education specialist licenses in Montana. This program ensures educators meet all state certification requirements to provide quality education for Montana's school children.

Student Assessment Program

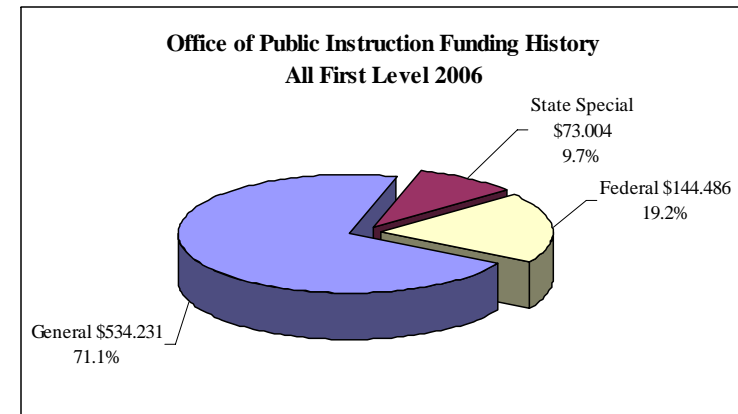
Montana students consistently score higher than the national average on a wide variety of achievement tests. The Board of Public Education requires all Montana 4th, 8th, and 11th grade students to be tested annually in mathematics, science, reading, language arts, and social studies. The OPI's State Assessment Director oversees the development, implementation, and analysis of all student testing information. Results of the tests are reported to the Board of Public Education and made available to the public and news media. The Student Assessment Program is also responsible for the development of a new criterion-reference test to meet the greatly expanded testing requirements of President Bush's "No Child Left Behind" legislation.

School Nutrition Program

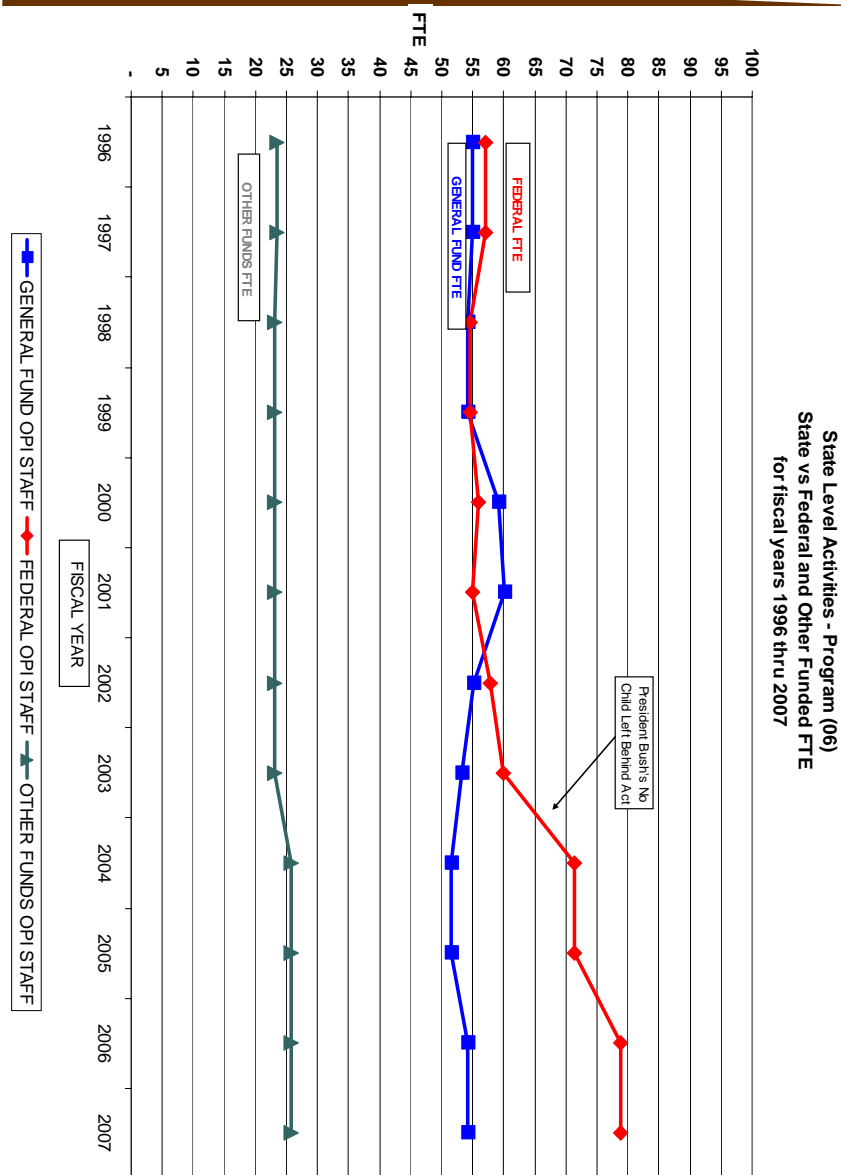
The OPI School Nutrition Programs unit administers seven U.S. Department of Agriculture (USDA) Child Nutrition Programs and a state Cooperative Food Purchasing Program. The National School Lunch Program provides nutritious lunches daily, and offers programs that provide after-school snacks and distributes USDA provided commodity foods. The program provides school breakfasts, a special milk program, a summer food service program, and a cooperative food program allowing small schools to pool their buying power.

**How Services are Funded**

The Office of Public Instruction is funded from a combination of general fund, federal special revenue, interest on the common school trust, income (leasing, timber and royalties) from state lands and a small amount of state special revenue funds. The chart below shows that total spending by OPI in FY 2006 was \$751.7 million from all funds. This includes \$17.4 million (\$5.7 million general fund) for agency operations, and \$734.3 for distribution to schools. Nearly all of the state special revenue going to schools is from interest and income on the common school trust. This revenue is dedicated by the Constitution (Article X, Section 5) to be distributed 95 percent to school districts and 5 percent to the common school trust.



The money distributed by OPI to school districts is of two types: BASE aid and categorical aid. BASE aid is a formula driven amount to each school. The formula (20-9, part 3, MCA) provides for a basic entitlement, which is a fixed amount per district with differences for elementary and high schools. The formula also provides for a per ANB (Average Number Belonging, a measure of the number of children) entitlement, with differences for elementary and high school. For the per-ANB entitlement, districts may choose the higher of the current ANB or an average of the last three years. BASE aid is dependent upon calculation of a maximum district general fund budget and a minimum general fund budget. No district may budget below the minimum or BASE budget. Districts may budget above the maximum budget under strict rules. BASE Aid forms the lion's share of the State's aid to K-12. In FY 2006, BASE aid was \$479.5 million.

**Indian Education Program**

The state places a high priority on improving the education of American Indian students in Montana and fully implementing Indian Education for All (MCA 20-1-501). The Indian Education Program serves two purposes. The first is to assure that American Indian students in Montana receive a quality and equitable education. The second is to assure that ALL students leave the public education system with an understanding of the rich history and contemporary issues of Montana's Indians.

This obligation is outlined in the Montana Constitution under Article X, Section 1(2): "The state recognizes the distinct and unique cultural heritage of American Indians and is committed in its educational goals to the preservation of their cultural integrity." The Indian Education Office provides leadership, education and information to school districts, students, parents, and educational agencies in the state of Montana.

General Education Development (GED) and Adult Basic and Literacy Education (ABLE) Program

The OPI's division of Career, Technical and Adult Education is responsible for the Adult Basic and Literacy Education (ABLE) and General Educational Development (GED) programs. The OPI supports 21 ABLE programs located throughout the state. These programs serve between 5,000 and 6,000 adults aged 16 and older every year, including adults at the Montana State Prison and the Women's Prison. The ABLE programs: Oversee contracts with 21 centers across Montana to provide Adult Basic and Literacy Education (ABLE) services and 22 General Educational Development (GED) testing centers; The programs ensure all GED testing centers are in compliance with the American Council on Education regulations and ensure local program centers offer basic education skills, prepare adults for obtaining a GED, teach employment readiness, conduct English As a Second Language instruction, and assist in college preparation;



Gifted and Talented State Grant Program

The Gifted and Talented State Grant program provides limited support for gifted and talented services in public schools. Currently, 7% or approximately 10,000 of Montana's students have been identified as gifted and talented. Since 1996, the biennial appropriation has been \$250,000. All Montana school districts are eligible to apply for funds, which are then distributed among successful applicants. Functions of the program include: This program evaluates applications, distributes grants, and hosts G&T training for educators.

Audiology: Hearing Conservation Program

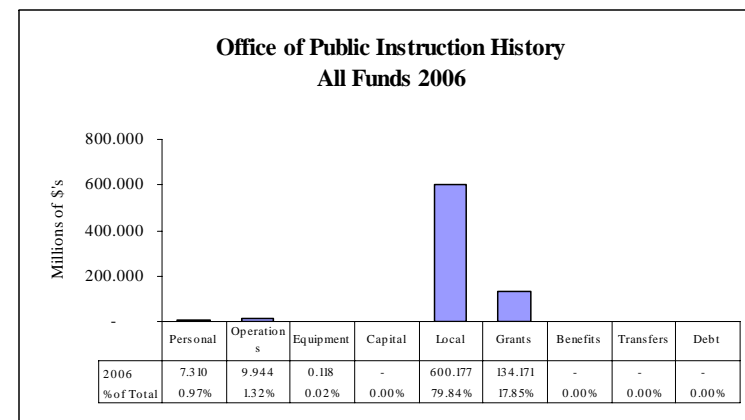
The Division of Special Education administers the statewide Hearing Conservation Program. The purpose of the program is to identify children with hearing impairments. The Office of Public Instruction contracts with nine providers (of these, two are school districts, one is a special education cooperative, two are university programs and four are private practice providers) for audiology services. Contractors provide the needed "matching" funds for the program's operation.

Traffic Education Program

The Traffic Education program provides education and training for safe driving practices among Montana's novice and experienced drivers. The program is fully funded with state special revenue and fees for the training and testing services it provides. The program approves novice driver education programs, distributes \$750,000-\$800,000 annually of state special revenue to school districts for driver education programs serving 10,000 students, provides professional training for driver education teachers, reviews credentials and training for driver education teacher licenses, and conducts Advanced Driver workshops for 450-550 Montana Department of Transportation personnel, school bus drivers, ambulance drivers, fire fighters and others.



The chart below shows how funds received by OPI are spent. Approximately \$17.4 million is spent on OPI's personnel and operations costs. Approximately \$600.2 million is for local aid to school districts, and \$134.2 million for federal grants to school districts.

**OPI Personnel**

The chart on the next page shows historical data on FTE in OPI. Personnel paid for out of the general fund have remained approximately constant since 1996, as have those paid for from state special funds, while personnel paid out of federal funds have increased dramatically since the inception of the federal No Child Left Behind act was passed.